



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

May 28, 2003

To: Supervisor Yvonne Braithwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

STATE LEGISLATIVE UPDATE

State Budget Update

Federal Relief

The tax relief/economic stimulus bill approved by Congress and awaiting signature by the President contains \$20 billion in fiscal relief for states. Half of the relief would be provided through a one-time (five quarters) increase in the Federal matching rate for Medicaid that should provide approximately \$1 billion for California in the budget year. In addition, the package provides an additional \$10 billion in one-time monies directly to states for "essential government services" that could provide \$1.16 billion for California. Neither of these gains totaling \$2.1 billion are assumed in the Governor's May Revision and are thus available to offset proposed cuts, borrowing or tax increases.

Budget Actions

Budget Subcommittees in both bodies completed action last week on the FY 2003-04 budget. Actions which impact the County are reported on below. The Assembly Budget Committee will hear the subcommittee reports on Tuesday, May 27, 2003, at 2:00 pm. The Senate Budget Committee will meet on Wednesday. In addition to the budget bill, the Assembly has calendared approximately 30 trailer bills. Finally, the Assembly Appropriations Committee will take up its suspense file at 9:00 a.m., tomorrow. The Senate Committee will follow suit at 8:30 a.m., Thursday.

Assembly Actions

The Assembly Budget Subcommittee No. 2 on Education Finance adopted the Governor's May Revision to direct \$69 million in Federal education funds to pay for AB 3632 mental health services for seriously emotionally disturbed students. It also adopted language to specify that the \$69 million will be used to reimburse counties for AB 3632 mandate claims. These actions are essentially what the Senate Subcommittee has done and may keep the issue out of conference committee. On another issue of concern, the Subcommittee rejected the Governor's May Revision proposal to cut \$11.8 million from the Public Library Foundation and restored \$5.9 million.

The Assembly Budget Subcommittee No. 1 on Health and Human Services adopted the following actions on budget issues of interest to the County:

Health

- Approved \$15.1 million to support public and private trauma centers - \$10.2 million for public trauma centers and \$4.9 million (to be matched with Federal dollars) for private trauma centers. (The Senate did not hear this issue.)
- Adopted the Governor's May Revision to add \$82.8 million in Federal funds for bioterrorism preparedness and response, including \$25 million for local assistance. Also adopted the allocation of \$32.8 million of Federal funds for grants to hospitals and local health organizations to prepare for biological attack.
- Adopted the Governor's May Revision to maintain the Emergency Medical Services Authority as a stand-alone entity.
- Rejected the Governor's proposal to eliminate certain Medi-Cal optional benefits and adopted utilization controls as a way of containing costs.
- Rejected the Governor's May Revision to delete the second year of coverage for the Transitional Medi-Cal Program.
- Rejected the Governor's May Revision to rescind expansion of "no cost" Medi-Cal eligibility for SSI/SSP recipients with incomes up to 133 percent of federal poverty.
- Rejected the Governor's proposal to reduce Medi-Cal provider payments by 15 percent.

- Adopted in concept the Governor's proposal of a 6 percent quality improvement fee for Medi-Cal Managed Care providers to draw down Federal funds with details to be worked out in conference.
- Approved in concept the Governor's Disease Management proposal.
- Adopted the Governor's proposal to restore 1931(b) coverage.

Realignment

- Rejected the Governor's January Realignment Proposal, fully restored funding for those programs, adopted budget bill language to recognize General Fund savings from the May Revision realignment proposal contingent upon enactment of legislation containing such a proposal, and adopted placeholder trailer bill language to enact the May Revision Realignment proposal, effectively separating realignment from the adoption of the budget.

Mental Health

- Rejected the Governor's 10 percent provider rate reduction for the Mental Health Managed Care Program effective October 1, 2003.
- Restored \$2 million to fund the Adult System of Care Program, which includes funding for The Village in Los Angeles County.

Social Services

- Rejected the elimination of the Naturalization Services Program, and restored funding for the current and budget years.
- Rejected the Governor's proposed trailer bill language to suspend the statutory requirement that increases State participation in IHSS wages when certain fiscal conditions are met. (The Senate did not act on this item.)
- Eliminated funding for the Statewide Fingerprint Imaging System (SFIS), and adopted trailer bill language to eliminate fingerprint requirements for the CalWORKs and Food Stamps programs. (The Senate eliminated funding earlier.)
- Adopted trailer bill language to provide transitional food stamps in FY 2003-04 for families leaving cash aid.
- Adopted trailer bill language to exempt the value of one vehicle in the eligibility determination for CalWORKs and Food Stamps. (The Senate did not consider.)

- Adopted trailer bill language to eliminate the face-to-face interview requirement for Food Stamps. (The Senate did not consider.)
- Adopted the Governor's May Revision to restore SSI/SSP and CalWORKs grants to the current levels but suspend the cost of living increase.
- Adopted trailer bill language to allow counties to rollover unspent CalWORKs performance incentive dollars into 2003-04.
- Adopted the Governor's May Revision to delay implementation of Prospective Budgeting/Quarterly Reporting in CalWORKs and Food Stamps.
- Adopted the Governor's May Revision to restore \$384 million to fund Stage 3 child care.
- Rejected most of the Governor's May Revision child care reductions, and adopted an alternative package of child care reductions and one-time funding mechanisms to pay for Stage 3 child care.
- Rejected the Governor's proposal to add \$28 million to implement the State's Program Improvement Plan for Child Welfare and Foster Care.

Child Support

- Rejected the Governor's proposed 25 percent county share of cost for the child support automation penalty.
- Rejected the Governor's May Revision proposal to reflect a higher than projected Alternative Federal Automation Penalty, and instead adopted an alternative proposal without a county share of cost.

Assembly Budget Subcommittee No. 4 eliminated the entire \$18.5 million in funding for High Tech Law Enforcement Grants and used \$16.8 million of the savings to restore funding for the Standards and Training for Corrections program which was eliminated in the Governor's budget. The action would restore approximately \$2 million for the County's Corrections Department. The Sheriff's Department will lose some funding from the High Tech Grant Program but will gain from the restoration of correctional training funds. While this action was not taken in the Senate, it seems to reflect a compromise arrived at in the corrections community that is likely to be adopted in the conference committee.

Senate Actions

Senate Budget and Fiscal Review Subcommittee No. 1 on Education adopted the Governor's May Revision to direct \$69 million in Federal education funds to pay for AB 3632 services for seriously emotionally disturbed students. It also adopted language to specify that the \$69 million will be used to reimburse counties for AB 3632 mandate claims. The Committee agreed that the LAO recommendation to repeal the mandate on counties should be taken up in separate legislation by the health policy committee, at some future time.

Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services adopted the following actions on budget issues of particular interest to Los Angeles County:

Health

- Adopted the \$25 million local assistance portion of the Governor's May Revision for Federal bioterrorism preparedness and response funds and adopted the allocation of \$32.8 million of Federal funds for grants to hospitals and local health organizations to prepare for biological attack.
- Adopted the Governor's May Revision to maintain the Emergency Medical Services Authority as a stand-alone entity.
- Rejected the Governor's proposal to eliminate certain Medi-Cal optional benefits and adopted utilization controls as a way of containing costs.
- Adopted the Governor's May Revision to delete the second year of coverage for the Transitional Medi-Cal Program.
- Rejected the Governor's May Revision to rescind expansion of "no cost" Medi-Cal eligibility for SSI/SSP recipients with incomes up to 133 percent of federal poverty.
- Adopted placeholder trailer bill language to assume receipt of Federal fiscal relief for the Medi-Cal program.
- Rejected the Governor's proposal to reduce Medi-Cal provider payments by 15 percent.
- Adopted the Governor's proposal of a 6 percent quality improvement fee for Medi-Cal Managed Care providers to draw down Federal funds.

- Approved in concept the Governor's Disease Management proposal.

Realignment

- Rejected the Governor's January Realignment Proposal, fully restored funding for those programs, adopted budget bill language to recognize savings from the May Revision realignment proposal contingent upon enactment of legislation containing such a proposal, and adopted placeholder trailer bill language to enact the May Revision Realignment proposal.

Mental Health

- Rejected the Governor's 10 percent provider rate reduction for the Mental Health Managed Care Program effective October 1, 2003.

Social Services

- Rejected the elimination of the Naturalization Services Program, and restored funding for the current and budget years.
- Eliminated funding for the Statewide Fingerprint Imaging System (SFIS), and adopted trailer bill language to eliminate fingerprint requirements for the CalWORKs and Food Stamps programs.
- Rejected the Governor's proposed trailer bill language to suspend the statutory requirement that increases State participation in IHSS wages when certain fiscal conditions are met.
- Adopted the Governor's May Revision to restore SSI/SSP and CalWORKs grants to the current levels but retained funding for cost of living increases.
- Rejected the Governor's proposal to add \$28 million to implement the State's Program Improvement Plan for Child Welfare and Foster Care.
- Adopted the Governor's May Revision to restore \$384 million to fund Stage 3 child care.
- Rejected most of the Governor's May Revision child care reductions, and adopted an alternative package of child care reductions and one-time funding mechanisms to pay for Stage 3 child care.

Child Support

- Adopted the Governor's May Revision to require counties to pay a 25 percent share of cost for the child support automation penalty.

- Adopted trailer bill language to form a workgroup to study the allocation methodology for distributing child support dollars to counties and report back to the Legislature by March 31, 2004.

Budget Committee Action on LEADER

On May 20, 2003, the California Department of Health Services (CDHS) submitted revised budget bill language to the Legislature to establish timeframes for Los Angeles County's completion of LEADER reprogramming to implement Medi-Cal 1931(b), Continuous Eligibility for Children and Medi-Cal Mail-In Applications. Under the proposed language, CDHS will conduct regular meetings with DPSS staff to monitor the progress of the LEADER reprogramming. If CDHS determines that any of the required reprogramming is more than 90 days behind schedule, CDHS will notify the Board of Supervisors, the chairpersons of the Senate and Assembly Appropriations Committees, and the chairperson of the Joint Legislative Budget Committee

My office and DPSS, in consultation with County Counsel, worked with CDHS to eliminate potentially negative impacts on the County. The original draft language threatened to withhold a portion of the County's Medi-Cal Administration allocation, pending progress in reprogramming LEADER.

The language was adopted by both the Senate Budget and Fiscal Review Subcommittee No. 3 on May 22, 2003 and the Assembly Budget Subcommittee No. 1 on May 23, 2003.

Redevelopment Agencies

The Governor proposed a \$250 million shift of property taxes from redevelopment agencies to schools in FY 2003-04 that would increase over time to \$1 billion. Senate Budget Subcommittee No. 4 approved a one-time \$250 million shift based on the allocation used for the current year transfer. The Assembly Subcommittee did not take action on this item, leaving the issue for conference committee, where they are expected to propose a one-time shift of \$100 million. Redevelopment Agencies are seeking to have the shift exempt from their caps and tax receipt time limits, effectively shifting the cost onto other local governments, especially counties.

State Mandates

The May Revision proposed the repeal of the public notice requirement of the open meeting law, the suspension of 34 other mandates and the eventual repeal of 31 of these 34. To date, the Legislature has approached the issue of mandates piecemeal, reflecting the fact that they exist in virtually all policy areas. Senate Budget

Subcommittee No. 4 has taken action on two general government mandates, approving suspension of the Investment Reports/County Treasury Oversight Committee mandate and deferral of the Regional Housing Needs Process mandate.

In the Assembly, Budget Subcommittee No. 4 approved the elimination of \$1 million to reimburse local governments for local elections, as proposed by the Governor. (The Senate took no action.) In addition, the Speaker appointed a Special Committee on State Mandates chaired by John Laird (D-Santa Cruz) to lead a coordinated review of budget proposals affecting mandates. The Special Committee will hold an informational meeting on Wednesday, May 28, 2003, at 1:30 pm in Room 44 of the Capitol. In a related development, the *Los Angeles Times* reported the Governor is having second thoughts about the repeal of the public notice requirement.

Pursuit of County Position on Legislation

SB 196 (Kuehl), as introduced on February 13, 2003, would require that persons appointed to fill the seats on the Regional Water Quality Control Board (RWQCB) be a city council member or mayor, and a county supervisor, respectively. The current requirement is simply that the respective appointees be "associated" with municipal government and county government".

Under existing law, the RWQCB has nine members with one representative each from irrigated agriculture, industrial water users, municipal government, county government, non-governmental organizations associated with recreation, fish, or wildlife, and three not representing any of the above groups, but having special competence in areas related to water quality problems. Section 13388 of the Water Code prohibits a member of the RWQCB from having received all, or a substantial portion, of their income from a person or entity subject to waste discharge requirements or an applicant for a waste discharge permit. This provision effectively excludes Supervisors from Los Angeles County, as well as city council members and mayors from some cities, from serving on the RWQCB. To address this problem, SB 196 allows for an exception if the appointment of a county supervisor would violate Section 13388. In such a case, "persons not specifically associated with any category" would be appointed.

The Department of Public Works (DPW) believes that SB 196 could benefit the County, by providing an opportunity for one of the County's Supervisors to be directly involved in the important decision making of the RWQCB. However, for that to happen, DPW recommends that the bill be amended to add a section that will provide an exemption from the conflict of interest clause in Section 13388 of the Water Code. Support for SB 196, if amended, is consistent with Board action on April 24, 2002, to support a similar bill, AB 2185 (Chavez), if it was similarly amended. **Therefore, our Sacramento advocates will support SB 196 if amended.**

SB 196 passed the Senate on May 8, 2003 by a vote of 39 to 0. It has not been assigned to an Assembly policy committee for hearing. The bill is sponsored by the League of California Cities, and it is supported by the cities of Artesia, Arcadia, Bellflower, Downey, Lake Forest, Lakewood, Paramount, and Signal Hill, as well as the Coalition for Practical Regulation. There is no formal opposition to the bill.

Status of County-Interest Legislation

AB 408 (Steinberg), on which the County has been working with the author to resolve concerns regarding potential liability and to incorporate a phased approach to implementation, passed the Assembly Appropriations Committee by a vote of 25 to 0 on May 21, 2003. This measure, which seeks to ensure that no child be emancipated from the foster care system without a connection to a committed and caring adult, would establish a prudent parent standard for foster caregivers in order to allow foster kids to engage in age-appropriate activities. Our Sacramento advocates will continue to work with the author to have our concerns addressed.

County-supported AB 1405 (Wolk and Harman), which would enact the California Watershed Protection and Restoration Act and declare that it is State policy to endorse local, collaborative watershed partnerships, passed the Assembly on May 19, 2003 by a vote of 78 to 0. The bill is currently in the Senate Rules Committee for assignment.

County-opposed AB 1470 (Vargas), was placed on the Assembly Appropriations Committee's suspense file on May 21, 2003 because of potential State costs. The bill may be considered when the Committee takes up the suspense file on May 28, 2003. AB 1470 would authorize an increase in In-Home Supportive Services (IHSS) wages and benefits by voter initiative.

County-supported SB 21 (Machado), which would require various State agencies to develop guidelines for implementing Proposition 50, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act, a \$3.44 billion water bond act approved by the voters in November 2002, passed the Senate Appropriations Committee on May 20, 2003 and was placed on the suspense file. It is set for hearing on May 29, 2003.

County-sponsored SB 139 (Brulte), which makes clarifying changes to the "Safe Haven Law" to make it easier for a parent to surrender a newborn in a safe environment, passed the Senate on May 22, 2003 by a vote of 37 to 0, and now proceeds to Assembly.

County-opposed SB 537 (Romero), which would prohibit the County from allowing the Puente Hills Materials Recovery Facility to exceed the currently approved limit of

4,000 tons per day by more than five percent, was placed on the suspense file by the Senate Appropriations Committee on May 22, 2003, so that the author can work on amendments. The bill is set for hearing by the Appropriations Committee on May 29, 2003.

County-supported, if amended, SB 663 (Speier) regarding tax-defaulted property subject to sale, passed the Senate Appropriations Committee on May 19, 2003 and now proceeds to the Senate Floor.

Other Bills of County Interest

AB 1065 (Longville), which would increase the maximum rate that a county may impose under the uniform sales tax law (Bradley-Burns) from 1.25 percent to 1.5 percent and require that the additional revenue be used for transportation purposes, was approved by the Assembly on May 19, 2003, on a vote of 41 to 30, the minimum required for passage. Adoption by a county would require approval by two-thirds of the county supervisors and the voters.

AB 1642 (Ridley-Thomas), which would authorize the Board of Supervisors to appoint a 24 member Los Angeles Tourism Advisory Committee, create a County Tourism Marketing District, and impose assessments on business that benefit from tourism, passed the Assembly on May 8, 2003, on a vote of 74 to 2.

SB 114 (Torlakson), which would prohibit a local agency or redevelopment authority from providing financial assistance to a vehicle dealer or big box retailer relocating from one community to another within the same market area, passed the Senate on May 15, 2003, on a 23 to 13 vote. It is supported by the California Association of Counties and the California League of Cities.

SB 566 (Scott), which would raise the local sales tax limit for Los Angeles County to 2 percent was amended to remove the option to increase the tax by initiative only, and approved by the Senate Revenue and Taxation Committee on May 5, 2003, and re-referred to the Appropriations Committee where it was put on the suspense file. The bill is sponsored by Sheriff Baca.

ACA 15 (Wiggins), which would allow a local government to impose a special tax to support firefighting, police, medical, sheriff, or other emergency services with the approval of a majority of voters, was approved by the Assembly Revenue and Taxation Committee on May 13, 2003, on a vote of 5 to 2 and by the Elections, Redistricting and Constitutional Amendments Committee on May 21, 2003. It was re-referred to the Appropriations Committee.

Each Supervisor
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We will continue to keep you advised.

DEJ:GK
MAL:JR:ib

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations